

## Message Text

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ACTION EB-07

INFO OCT-01 EA-10 IO-10 ISO-00 AGR-10 FEA-01 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

AF-06 ARA-10 EUR-12 NEA-09 /151 W

----- 118624

R 110859Z FEB 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8323

INFO AMEMBASSY TOKYO

US MISSION GENEVA 221

UNCLAS SEOUL 0911

DEPT PASS USDA FOR FAS/W

TOKYO FOR AGATT PASS ISO/NRA

GENEVA FOR MTN DELEGATION

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: IMPORT DEPOSIT ON TALLOW

REF: USDA (STARKEY TRADE OPR DIV) FASTO 25

TO AGATT FEB 3, 1975 (NOTAL)

SUMMARY: IN RESPONSE REFTEL, ROKG PRIOR IMPORT DEPOSIT  
REQUIREMENT OF 110 PERCENT FOR TALLOW IMPORTS IS NOT NEW.  
HOWEVER, EFFECTIVE JAN 25, 1975, DEPOSITS ARE  
AUTOMATICALLY HELD 90 DAYS RATHER THAN RETURNED AT TIME  
OF SETTLEMENT. REPORT OF ADDITIONAL 110 PERCENT DEPOSIT  
FOR CUSTOMS CLEARANCE IS IN ERROR. END SUMMARY.

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1. RE IMPORT DEPOSIT REQUIREMENT FOR TALLOW CITED

REFTEL, PRIOR IMPORT DEPOSIT REQUIREMENT ITSELF IS NOT NEW. ROKG HAS HAD LONG STANDING PRIOR IMPORT DEPOSIT REQUIREMENT FOR MOST IMPORTS, INCLUDING TALLOW, WITH VARYING PERCENTAGE DEPOSIT REQUIRED DEPENDING UPON NATURE OF COMMODITY, PURPOSE FOR WHICH COMMODITY IMPORTED AND TYPE OF FINANCING INVOLVED. IN CASE OF TALLOW, ALL OF WHICH IS IMPORTED FOR USE IN PRODUCTION FOR DOMESTIC MARKET, DEPOSIT REQUIREMENT IS CURRENTLY 110 PERCENT FOR IMPORTS ON SIGHT LETTER-OF-CREDIT (L/C) OR DOCUMENTS AGAINST PAYMENT BASIS AND 20 PERCENT FOR IMPORTS ON USANCE OR DOCUMENTS AGAINST ACCEPTANCE BASIS. DEPOSIT REQUIREMENTS WERE RECENTLY RAISED TO 200 PERCENT FOR SOME IMPORTS, BUT TALLOW WAS NOT INCLUDED.

2. WHAT IS NEW ARE TWO PROCEDURAL CHANGES EFFECTIVE JAN 25, 1975. FIRST IS MINOR CHANGE WHEREBY DEPOSIT MUST BE MADE AT TIME OF IMPORT LICENSE APPLICATION (FOR ALL IMPORTS) INSTEAD OF AT TIME OF L/C OPENING FOR IMPORTS ON L/C BASIS. IN PRACTICE, THOSE STEPS CAN NORMALLY BE COMPLETED WITHIN A DAY OR TWO OF EACH OTHER IN CASE OF TALLOW IMPORTS. SECOND, MORE IMPORTANT, CHANGE IS THAT IMPORT DEPOSITS WILL NOW AUTOMATICALLY BE HELD 90 DAYS RATHER THAN RETURNED AT TIME OF SETTLEMENT. SINCE AVERAGE PERIOD BETWEEN IMPORT LICENSING AND/OR L/C OPENING AND SETTLEMENT IS LESS THAN 90 DAYS, EFFECT IS TO EXTEND AVERAGE PERIOD FOR WHICH DEPOSIT IS HELD, RAISING COST OF FINANCING IMPORTS. MEASURE IS INTENDED TO DISCOURAGE MARGINAL IMPORTS. AT SAME TIME, ON ASSUMPTION THAT IN GENERAL SETTLEMENT FOR IMPORTS FROM MORE DISTANT SOURCES, E. G. U.S., TAKES LONGER THAN FOR IMPORTS FROM NEARBY SOURCES, E.G. JAPAN, 90 DAY REQUIREMENT SHOULD ALSO REDUCE, IF NOT COMPLETELY ELIMINATE, DISCRIMINATION AGAINST MORE DISTANT SUPPLIERS WHICH OCCURRED UNDER PREVIOUS SYSTEM.

3. IN PARTICULAR CASE OF TALLOW, WE UNDERSTAND MOST IMPORTS ARE IMPORTED ON BASIS OF STALE BILL OF LADING WITH IMPORT LICENSE OBTAINED (AND L/C OPENED) JUST SHORTLY BEFORE SHIPMENT ARRIVES KOREA. SINCE SETTLEMENT PRESUMABLY ALSO COMPLETED SHORTLY AFTER LICENSE OBTAINED IN THOSE UNCLASSIFIED

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CIRCUMSTANCES, SWITCH TO AUTOMATIC 90 DAY REQUIREMENT DEFINITELY EXPECTED RAISE FINANCING COST FOR TALLOW IMPORTS. NEW REQUIREMENT APPLIES ALL IMPORT LICENSES OBTAINED ON OR AFTER JANUARY 25, 1975. TALLOW IMPORTS ALREADY CONTRACTED OR EVEN SHIPPED ON STALE BILL OF LADING ARE SUBJECT TO NEW REQUIREMENT IF IMPORT LICENSE WAS NOT OBTAINED PRIOR JAN 25.

4. BOTH MINISTRY OF FINANCE AND INDUSTRY SOURCES STATE THAT REPORT OF ADDITIONAL 100 PERCENT DEPOSIT FOR CUSTOMS CLEARANCE IS IN ERROR. REPORT MAY RESULT FROM MIS INTERPRETATION OF TARIFF SCHEDULE FOR TALLOW IMPORTS. BEEF TALLOW IMPORTS, UP TO A CEILING OF 44,000 METRIC TONS (M/T) FOR FIRST HALF OF 1975, ARE SUBJECT TO SPECIAL FLEXIBLE TARIFF SYSTEM. UNDER THIS SYSTEM, BEEF TALLOW IMPORTS WITH ACID VALUE IN EXCESS OF 2 ARE SUBJECT FOLLOWING SCHEDULE:

IMPORT CATEGORIES

1. IMPORT WITH CIF VALUE OF NOT LESS THAN 150,000 WON/MT

2. IMPORT WITH CIF VALUE OF MORE THAN 135,000/MT BUT LESS THAN 150,000 WON/MT

3. IMPORTS WITH CIF VALUE LESS THAN 135,000 WON/MT  
DUTY ON ABOVE CATEGORIES

1. DUTY FREE
2. 100 PERCENT OF DIFFERENCE BETWEEN 150,000 WON AND DUTIABLE VALUE FOR EACH METRIC TON
3. 10 PERCENT OF DUTIABLE VALUE.

FOR EXAMPLE, IMPORT VALUED AT 125,000 WON/MT PAYS DUTY OF 12,500 WON/MT; IMPORT VALUED AT 140,000 WON/MT PAYS DUTY OF 150,000 WON MINUS 140,000 WON OR 10,000 WON/MT AND IMPORT VALUED AT 155,000 WON IS DUTY FREE. THIS SLIDING SCALE WITH DUTY FALLING TO ZERO AS PRICE REACHES 150,000 WON/MT IS DESIGNED TO REDUCE IMPACT OF CHANGES IN IMPORT PRICES ON DOMESTIC PRICE LEVEL. (THERE SIMILAR UNCLASSIFIED

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SCHEDULE WITH CUTOFFS OF 145,000 WON/MT AND 160,000 WON/MT FOR BEEF TALLOW WITH ACID VALUE OF LESS THAN 2.) WHILE IN THEORY TARIFF RATE OF 20 PERCENT SHOWN IN GENERAL TARIFF SCHEDULE APPLIES TO IMPORTS IN EXCESS OF 44,000 MT CEILING FOR FIRST HALF 1975, IT IS HIGHLY UNLIKELY APPROVAL FOR IMPORTS IN EXCESS OF THAT CEILING WOULD BE GIVEN.

EMBASSY AIRGRAM DESCRIBING CHANGES IN IMPORT DEPOSIT REQUIREMENTS AND OTHER RECENT MEASURES AFFECTING IMPORTS IS IN PREPARATION AND WILL FOLLOW SHORTLY.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FATS, CUSTOMS DUTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Subject:** IMPORT DEPOSIT ON TALLOW  
**TAGS:** ETRD, KS  
**To:** STATE  
**Type:** TE  
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